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C O N F I D E N T I A L SECTION 01 OF 03 TEGUCIGALPA 000332

SIPDIS

DEPARTMENT OF STATE FOR: MMITTLEHAUSER AND SMORGAN,
DEPARTMENT OF LABOR FOR: PAULA CHURCH

E.O. 12958: DECL: 05/06/2019

TAGS: [EAID](#) [ELAB](#) [ETRD](#) [HO](#) [KDEM](#) [ECON](#)

SUBJECT: UPDATE ON JERZEEZ DE HONDURAS LABOR VIOLATION CASE

Classified By: Classified by Ambassador Hugo Llorens, reasons 1.4 (b & d)

1. (U) Summary: Fruit of the Loom,s (FOTL) Russell Corporation (RC) and various U.S.-based NGOs, the Honduran General Workers Confederation (CGT) and former Russell workers from its now closed Jerzees de Honduras (JDH) plant continue to disagree over the sincerity and significance of the measures being taken by FOTL/RC to support its former employees. FOTL/RC has recently opened two Displaced Employee Assistance (DEA) offices - one in San Pedro Sula (March 23) and one in Choloma (March 31) - and has provided services to 554 former employees (as of April 26) on the skills needed to secure new employment in the maquila sector or different sectors of the Honduran economy. Trust and communication between the private sector and organized labor is so low that rather than pursuing a dialogue or reconciliation in Honduras, workers from JDH and executives for FOTL/RC have been touring major American Universities sometimes only days apart) respectively trying to persuade each University to either cancel or continue to do business with FOTL/RC. Post will follow up with the various actors, monitor the situation and attempt to facilitate a dialogue between all parties. End Summary.

FRUIT OF THE LOOM SUPPORTS FORMER WORKERS

2. (SBU) Laboff met on April 27 with Senior Vice President of Human Resources, Tony Pelaski, and Regional Director of Human Resources (DHR), Edward Bardales, to discuss FOTL/RC,s efforts to adhere to the Fair Labor Association,s (FLA) 19 recommended actions (which include the opening of the DEA offices) in response to the closure of its JDH maquila plant in January 2009. FOTL/RC has opened two DEA offices - one in San Pedro Sula (March 23) and one in Choloma (March 31) - to provide re-employment counseling and medical services to all of its 5,000 recently laid-off former Honduran employees.

3. (U) Laboff first visited the Choloma DEA office, which is located in a commercial mall so as to ensure ease of access by local buses and adequate security. Each DEA office is staffed by three personnel, is open Monday through Friday for eight hours and for four hours on Saturday morning, and hosts a doctor offering medical consultations two days per week. According to the DEA employees, as of April 26, they had

provided 554 re-employment consultations and 39 medical consultations to former FOTL/RC employees. Pelaski stated that FOTL/RC has had great difficulties reaching all of its 5,000 fired employees in order to inform them about the existence of the DEA offices and the services they offer.

14. (U) Each DEA office currently offers the following services: resume preparation; successful job interviewing skills; information on job opportunities; insertion into the Honduran Manufacturers, Association (AHM) job-seeker database; medical consultations with a doctor; and some free over-the-counter medicines. The DEA offices are currently conducting a job-skills training survey to determine which types of job-skills are in highest demand from their former workers. FOTL/RC is in discussions with the National Institute for Professional Training (INFOP) and the Inter-American Development Bank (IDB), on devising vocational training based on the survey results. FOTL/RC does not know how long it will keep the DEA offices open, but claims that it has already exceed Honduran law by supporting its former employees more than two months after their dismissals.

15. (C) Laboff witnessed a clear disconnect between FOTL/RC,s American and Honduran-based management. Bardales and Pelaski were not on the same page in terms of the levels of services FOTL/RC was offering to its former employees and what they had promised. On two separate occasions Pelaski was surprised that Bardales and the Honduran-based FOTL/RC management were not offering services the company had promised former workers. For instance, Pelaski was under the impression that former worker,s transportation to the DEA

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offices would be subsidized by FOTL/RC, which is not the case. When Laboff inquired whether former workers, children were provided with medical consultations, Pelaski stated that the company had intended to provide this service, but Bardales corrected him and indicated that they were not providing medical consultations to the families.

16. (U) Aside from employment, the most popular request received by DEA offices is for the education bonus of 1,300 Lempira (\$68 USD) they are promised each year if their children attend school. Despite receiving over 400 inquiries, FOTL/RC has not awarded any education bonuses to former employees on the grounds that none have been able to provide the required documents. FOTL/RC requires that its employees provide a birth certificate, government-issued identification and a current report card for each child for the educational bonus to be collected. However, given the current teacher strike in Honduras, no report cards have been issued, making the educational bonus inaccessible.

17. (SBU) FOTL/RC requested Laboff help determine the motives of the America-based NGOs, and how this standoff could be resolved. FOTL/RC appeared receptive to discussion and stated that they will continue to take a proactive approach to ensure that all labor rights of their employees are met and extra-efforts are taken to follow the FLA recommendations made for their ex-workers. FOTL/RC is particularly interested in reaching out to the Workers, Rights Consortium (WRC) and asked Laboff to help facilitate this contact. FOTL/RC claims it is currently making progress on each of the 19 FLA recommendations and is preparing for an FLA auditor to visit in June.

UNION AND NGOS REMAIN UNSATISFIED

18. (C) Laboff met separately on April 27 with the CGT representative in San Pedro Sula, Evangelina Argueta, to discuss the status of former JDH workers, and their view of FOTL/RC,s actions so far. They also discussed Argueta,s personal safety and the measures taken by Honduran authorities to protect her. Argueta stated that she and former JDH union members remain skeptical of the actions

taken by FOTL/RC and claim to not have been informed of the DEA offices existence and their services, nor given any opportunity to provide input for what the workers wanted from such an office. CGT claims that FOTL/RC has even taken steps to exclude the participation of unionized former workers from receiving DEA services. They also claim that despite FOTL/RC,s statements to the contrary, JDH workers were not allowed paid time off to search for new positions. Rather, they were offered time off and then told they would have their pay docked, so none of the workers chose to leave work to search for new positions.

19. (C) The CGT alleged that FOTL/RC tried to discourage the participation of unionized former workers in obtaining services by requiring them to fill-out and sign copious amounts of confusing paperwork and by taking photographs of all those who seek services at the DEA offices, which intimidated the workers. CGT leaders stated that FOTL/RC has included anti-union biased third-party participants in previous negotiations as well as in its newly implemented employee "freedom of association" training. The CGT also alleged the company is working to blacklist former unionized employees, as evidenced by the fact that several former JDH employees initially rehired by FOTL/RC suppliers were then subsequently released when they were recognized as former JDH employees. (Note: CGT has not yet provided Laboff with evidence or details on the various accusations listed above. End Note.) Despite all of these allegations, the union and CGT have told us they still hold out hope that FOTL/RC will reopen the JDH plant if they push them hard enough. Laboff has tried to dampen their expectations and told them repeatedly that the FOTL/RC has informed us that this scenario is highly unlikely.

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110. (U) CGT has been able to place enormous pressure on the FOTL/RC Corporation through its connections with U.S.-based NGOs including: the WRC, the Solidarity Center (SC), the Washington Office for Latin America (WOLA) and Students Against Sweatshops (SAS). Some of these organizations have sponsored former JDH employees to tour college campuses throughout the United States denouncing FOTL/RC as anti-Union and a promoter of "sweatshops," which has led to significant cancellations of approximately 30 major collegiate apparel contracts. FOTL/RC has begun promoting its own case on these college campuses by sending Pelaski to talk with students and University Presidents about its version of the JDH case and describe the conditions of FOTL/RC plants in Honduras. FOTL/RC has even gone so far as to pay for University students to travel to Honduras to tour the plants, and has started a website documenting the Russell Corporation,s Commitment to Social Responsibility and its responses to the FLA recommendations. FOTL/RC claims that these canceled contracts are significantly affecting their market demand and paradoxically may force them to take further cost-cutting measures in the future.

111. (SBU) The Solidarity Center asked Laboff to "investigate" the JDH case or it would be forced to proceed in preparing a Central American Free Trade Agreement (CAFTA) labor violation petition for the U.S. Department of Labor. Laboff has requested meetings with the Solidarity Center Regional Representative in Guatemala, Rob Wayss, on several occasions to discuss the potential petition, without success.

COMMENT: RENEWED DIALOGUE NEEDED TO GO FORWARD

112. (C) There is no trust between the parties of this dispute and very little communication, besides angry letters. There is also a painstakingly obvious disconnect between Honduran managers of the plants and representatives from company Headquarters. Both the unions and the company have asked Laboff what motivates their adversaries and requested our opinion on what next steps could or should be followed. The

U.S. Embassy is seen as a neutral party in Honduran labor and private sector disputes, because we have a reputation for both protecting U.S. companies and standing up for labor rights. We will use this status to get the two groups together and talking in Honduras. We will also encourage both sides to desist from making damning public allegations in order to diminish tensions. End Comment.
LLORENS